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INTERNATIONAL NEWS

Techtextil North American scheduled from May 17-19

The next edition of Techtextil North America will take place in Atlanta from May 17 to 19. in Atlanta. ACIMIT, the Association of Italian Textile Machinery Manufacturers, and Italian Trade Agency organize an Italian Pavilion, where 17 Italian machinery manufacturers involved in the production of machines for technical textiles will show their innovative solutions.

ACIMIT members exhibiting in the Italian Pavilion are: 4M Plants, Aeris, Arioli, Computer House, Fadis, Flainox, Guarneri Technology, Ima, Kairos Engineering, Mcs, Ramina, Siltex, Stalam, Testa, Willy.

The US textile industry is one of the top in US manufacturing sector, with a sales volume of exceeding US$ 64 billion in 2020, with approximately 300,000 workers and about 15,000 companies. The industry's strength lies in cotton, man-made fibers, and a wide variety of yarns and fabrics, including those for apparel and industrial uses.

In 2021, the US represented the third market for Italian textile machinery exports, behind China and Turkey. In 2021 January-September period the value of Italian sales to US market was €93 million, an increase of 74per cent compared to the same period of the previous year.

Source: fashionatingworld.com – Mar 17, 2022

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Despite Economic News, Cotton Continues to Follow Fundamentals

The cotton market continues to follow its fundamentals, despite the mixed bag of economic news portrayed by the Russian war and the severe inflation woes facing the U.S. economy. Cotton demand continues strong, as exhibited by export sales for both old crop and the new crop. Demand carried the May contract to an all-time high this week.

The market will get its next look at the supply side of the price equation with the release of USDA's 2022 Planting Intentions on March 31.

With futures prices above the dollar level, some are suggesting that demand will slow, and excessive supply will overtake the market's bullish attitude. Yet, the market has returned to ride the 10-day moving average support line. Mill fixations are supporting prices.

The old crop May futures contract has climbed to the highs of the recently expired March contract. May settled the week at 126.86 cents on a limit up move. Thus, the potential 130-cent mark is all but done. The weekly settlement for the December contract was 105.24 cents. Thus, it has essentially reached its 107-cent objective, keeping alive the potential of 112 cents.

With the northern hemisphere planting window just ready to open, I am not a proponent of December futures climbing to the 120-125 cents level. Yet should the current drought pattern continue another 60-70 days, then such blistering prices will become a reality. The available 2021 crop supplies have continued to tighten as both export sales and shipments to China continue to be very aggressive. Too, the usual export demand points remain very strong as Pakistan, Vietnam, Turkey, and others continue to be excellent buyers.

The current Beltwide drought stretches from New Mexico to North Carolina. Granted, there is ample time to receive Mother Nature's rainfall. However, given that the drought has spread over such a wide area, the market has become somewhat nervous about the potential size of the 2022 crop. As it were, there is potential for moisture in the High Plains and Rolling Plains of Texas next week. Yet, the market is essentially saying, "I will believe it when I see it."

Recent export sales have been very supportive to the market, and shipments are beginning to keep pace with sales. Net sales for the most recent week totaled 371,400 bales of upland and 12,300 bales of Pima. Another 48,000 bales of upland were sold for the 2022-23 marketing year. China (144,880 bales of upland) was the primary buyer, followed by Turkey (59,400 bales), Pakistan (36,100), Vietnam (27,300 bales), Nicaragua (22,000 bales), and Bangladesh (17,500 bales).

Shipments totaled 325,500 bales of upland and 7,800 bales of Pima, with the primary destinations for upland being China, Pakistan, Turkey, Vietnam, and Mexico. China does merit watching as a coronavirus lockdown there could be a negative factor for demand. However, the demand for yarn should keep Chinese mills fully engaged.

With the May contract establishing life of contract highs, the price trend remains up. The market is following its short term and intermediate term price trends, both of which are up. Excellence exists at it recent lows. Additionally, the important mill on-call ratio of buying futures to selling futures remains at 7.9 to 1. This continues as a bullish signal to the market.

Source: cottongrower.com– Mar 18, 2022

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RCEP to boost Cambodia's exports by 9-18% annually: Commerce minister

The Regional Comprehensive Economic Partnership (RCEP) will boost Cambodia's export by 9.4-18 per cent annually, contributing to up to 3 per cent annual economic growth, according to the country's minister of commerce Pan Sorasak. He was addressing a recent workshop on the partnership's regional consequences and challenges in the ASEAN region.

The country's export is expected to rise by at least 9.4 per cent annually under the RCEP, he said citing a study by the Economic Research Institute for ASEAN and East Asia (ERIA).

RCEP covers approximately 30 per cent of the world's population, accounts for about 30 per cent of global gross domestic product and represents some 28 per cent of global trade.

The pact also creates other positive effects, including providing opportunities for redevelopment from the COVID-19 pandemic and post-pandemic structural evolution through job opportunities, investment promotion, and poverty reduction, Sorasak was quoted as saying by Cambodian media reports.

Source: fibre2fashion.com– Mar 17, 2022

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Chinese mainland further expands market access for Taiwan residents

Chinese mainland authorities have significantly expanded market access for residents from the island of Taiwan to register and operate individually-owned businesses in 122 sectors in the mainland market, compared to 24 since 2015.

"Among them are many sectors, in which the island of Taiwan has development advantages and Taiwan compatriots have high business willingness," said Zhu Fenglian, spokesperson for the Taiwan Affairs Office of the State Council, on Wednesday.

The office, together with the Ministry of Commerce and the State Administration for Market Regulation, on Wednesday released the notice on Taiwan residents' applications to establish individually-owned businesses in pilot areas for the innovative development of trade in services.

In addition to areas covered by the previous plan such as retailing, catering, textiles, clothing and household goods wholesaling, the new plan has been expanded to cover more areas such as intellectual property agent, entertainment agent, air pollution control, and municipal facilities management.

Agriculture is a big part of the new plan, including the planting of vegetables, fruits, edible fungi and horticultural crops.

Food-related industries were also added, such as the production and processing of baked food, confectionery products, chocolate, candied fruit tea and other beverages.

Pet services, translation services and other civil services were also added.

In addition, market opening-up for Taiwan residents will be further expanded to include 27 pilot areas for the innovative development of trade in services.

"The introduction of new opening-up measures for Taiwan residents is an important measure to implement the State Council's Overall Plan for Comprehensively Deepening the Pilot Program of the Innovative Development of Trade in Services," said Zhu.

In consideration of the good business environment and great potential for the development of service industries in the pilot areas, Taiwan residents can enjoy better employment and entrepreneurship opportunities brought by the combination of policies, which is more conducive to their personal development, said Zhu.

The plan was released and approved in August 2020, and the trial period is three years.

The pilot program still has one and a-half years to go, so it will directly serve Taiwan residents who are already doing business on the mainland. It will also attract other Taiwan residents willing to hitch a ride on the mainland's rapid development, said analysts.

As of the end of 2021, there were 359 self-employed Taiwan farmers and 9,926 self-employed Taiwan residents registered in the mainland, according to statistics from the market regulator.

"The policy of sharing development opportunities with Taiwan compatriots will not change. We welcome our compatriots in Taiwan to seize the opportunity and come to the mainland for greater and better development," said Zhu.

She added that more opportunities and choices will be provided for Taiwan compatriots, especially those from the grassroots level and young people who want to start businesses and realize their dreams in the mainland.

In 2007, 2011 and 2015, relevant departments issued a total of three documents regarding Taiwan residents who were applying to set up self-employed businesses in the mainland.

"The mainland is willing to offer opportunities to Taiwan residents, but it is up to individuals to seize them," said an analyst.

Source: globaltimes.cn– Mar 16, 2022

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Turkey's largest textile exhibition HOMETEX to showcase Indian products

Turkey's largest textile exhibition HOMETEX will showcase textile products from India, Turkey, France, Italy, Netherlands, Pakistan, Spain and the US from 17th to 21st May, 2022 at the Istanbul Expo Center.

This is the 26th edition of HOMETEX's which is taking place after a two-year hiatus due to the Covid-19 pandemic.

The expo is expected to draw leading home-textile producers from across the world and it will be held in an exhibition area of 200,000 square meters.

In 11 halls of the Expo, HOMETEX will feature national and international prominent manufacturers of curtains, towels, blankets, carpets, upholstery fabrics, and other home-textile products this year.

İbrahim Burkay, the President of Bursa CCI said, "We invite all home-textile manufacturers to attend the event, which represents one of the most significant expositions of the sector."

Burkay said this event is the perfect opportunity to form new ties and promote the sectoral development in international level.

The event will also feature a dedicated "Trend Area" where all the latest home-textile trends will be showcased, B2Bs and seminars attended by prominent designers and innovators.

Both India and Turkey are among the top 10 largest textile producing countries in the world.

Turkish production and export of the textile and apparel industry have shifted from low value-added commodities to high value-added manufactured items and fashionable goods while the Indian textile and apparel industry is broadly classified into two segments which is the unorganized sector consists of handloom, handicraft, and sericulture, and the ones which applies modern machinery and techniques.

Source: knnindia.co.in– Mar 17, 2022

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How does Russia-Ukraine War affect Turkish textile industry?

The tension between Russia and Ukraine for several years flared up again after the annexation of Crimea by Russia in 2014 and the declaration of independence of the separatist Luhansk and Donetsk, where the Russian population in the Donbas region is dominant, in the same year. The Russian-Ukrainian war started with Russia's attack on Ukraine on February 24 and changes the balance of the global market in the short and long term.

Ukraine is expected to lose power in global trade due to its destroyed infrastructure and the migration of people fleeing the war, as well as international sanctions against Russia as the initiator of the conflict. It is inevitable that Türkiye, who has strong commercial ties with both countries, will directly experience the negative effects of this on both imports and exports even though her acts with an impartial policy and efforts to find reconciliation by minimizing losses is appreciated.

While Türkiye's foreign trade with Russia was worth 32.5 billion dollars in 2021, 27.5 billion dollars of this was imported from Russia, primarily natural gas. Ukraine, on the other hand, is among Türkiye's developing commercial partners, with exports value of 2 billion 900 thousand dollars and imports value of 4 billion 500 million dollars.

The textile industry, which represents 4.43% of the total world trade, also gets its share from these latest developments. Türkiye has strong relations with both countries, does not participate in the sanctions against Russia and maintains its neutral position in the war. Turkish textile, ready-to-wear and leather sectors rose to 5th place in world textile exports in 2020, has already started to see the reflections of the war in her current trade relations with Russia and Ukraine.

There were cancellations and postponements on orders for textile, ready-to-wear and leather products from the region to Türkiye after Russia's attack on Ukraine, while statements and announcements from the important actors of the sector are coming one after another. These developments in both markets which are important for the Turkish textile industry, also create concern and uncertainty for the next period.

The statements and latest developments from the important players of the sector after the start of the Russia-Ukraine war can be summarized as follows:

Turkish companies made numerous business contacts at the Kyiv Fashion held in Kyiv in February and the Collection Première Moscow in Moscow. Order cancellations started to come from both countries with the entry of Russia into the territory of Ukraine. TOBB Turkey Garment and Apparel Industry Councils Assembly President Şeref Fayat stated that they have faced cancellations worth approximately 200 million dollars so far and said that it could exceed 1 billion dollars if this situation continues. Istanbul Leather and Leather Products Exporters' Association (IDMIB) President Mustafa Şenocak said that among the order cancellations, there are products that have already been produced but not paid for yet and that there are hundreds of thousands of pairs of shoes and thousands of leather jackets that have been cancelled.

Laleli Industrialists and Businessmen's Association (LASİAD) Chairman of the Board Giyasettin Eyyüpkoca stated that Russians and Ukrainians provide half of Laleli's annual trade volume and said; "We had started production for the new season, but now we have all stopped".

LASIAD also announced that they will support Ukrainian citizens in the region with accommodation in hotels until they are able to return to their countries and issued a call for their members; "You can contact us about all your export problems to the region due to the current situation between Russia and Ukraine".

Turkish Exporters' Assembly (TIM) has set up a crisis desk within its own body for the members whose export operations to Ukraine and Russia are affected to convey the problems they experience, as well as their demands and suggestions.

It has been reported that Turkish brands operating with more than 650 stores in Russia also have difficulties in money transfer and there is uncertainty about the transfer of goods at customs.

Turkish ready-to-wear stores LC Waikiki, Colin's, English Home and DeFacto closed their stores in Ukraine for security reasons. It was also reported that large organized Turkish retailers in the region suspended new store openings.

On the other hand, it was stated that the trade relations of the sector with markets close to the region such as Poland, Belarus, Moldova and Romania were adversely affected by the latest developments.

Both countries are important markets for Turkish companies

Turkish ready-to-wear and apparel industry realized exports worth of 20 billion dollars in 2021 and reached an export figure of 3.4 billion dollars in the first two months of 2022. Ready-to-wear and apparel exports to Russia in 2021 amounted to 286.5 million dollars, while exports of textiles and raw materials amounted to an average of 298 million dollars according to TIM data. Approximately 133 million dollars worth of leather and leather products were exported to Russia in the same period. While Türkiye's total leather and leather products exports in 2021 increased by 32.9% to $224.5 billion, Russia ranked second after Germany with a 7.7% share in this total according to IDMIB 2021 annual report.

Exports of leather and leather products to Russia increased by 31.5% compared to the previous year and reached 133.1 million dollars. Türkiye exported approximately 20 million dollars worth of leather and leather products, 173 million dollars worth of ready-to-wear and apparel, 115 million dollars worth of textiles and raw materials to Ukraine in 2021. On the other hand, it is stated that the total export worth of more than 1 billion dollars made to Russia and Ukraine last year, together with special invoice exports, in other words, luggage trade, was more than three times.

Click here for more details

Source: textilegence.com– Mar 18, 2022

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Cambodia: Southeast Asia's Green Manufacturing Capital?

The European Chamber of Commerce in Cambodia (EuroCham Cambodia) and the Garment Manufacturers Association in Cambodia (GMAC) have agreed to foster closer cooperation between the two organizations and, in so doing, better support European fashion brands that source apparel and footwear from the Southeast Asian nation.

The signing of a memorandum of understanding Wednesday, they said, will help promote Cambodia's ambitions of becoming a green garment-manufacturing go-to for brands such as Adidas, H&M and Zara, boosting the country's attractiveness as a partner despite the revocation of its European Union trade benefits under the Everything But Arms scheme for least-developed nations in 2020. The loss of the privileges, which occurred in the wake of Prime Minister Hun Sen's crackdown on political opponents, added a 12 percent tariff to Cambodia clothing exports to the bloc and an 8 percent to 17 percent one for shoes.

Still, there are many reasons to recommend Cambodia over some of its rivals, said Massimiliano Tropeano, a sustainability expert who splits his responsibilities between EuroCham Cambodia, which represents business interests in the country, and German developmental agency GIZ's FABRIC initiative. The majority of the nation's manufacturing sector, for instance, involves cut-and-sew, meaning there are few dyeing and weaving facilities to wreak heavy pollution. Cambodia is more politically stable than Myanmar, whose post-coup "spiral of violence," as the United Nations High Commissioner for Human Rights recently put it, has sent buyers clamoring for alternatives. Unlike Vietnam, the pandemic didn't result in widespread production outages or create a scramble for workers.

Another point for Cambodia, whose 800,000 workers generate a third of its gross domestic product, is its potential for growth. "Vietnam is completely at full capacity," Tropeano told Sourcing Journal, noting that the latter is looking to diversify its sources of income beyond garment manufacturing, which could further limit room for future orders.

But the nation still has challenges to surmount, among them a dearth of renewable energy infrastructure that would draw in brands with ambitious climate commitments, Tropeano said. Last year, the government reversed a decision to triple the amount of coal-fired power after companies such as Gap, Puma and Nike warned that this would put future orders at risk. Even

so, resistance from certain quarters persists. Overhauling the grid will require significant investment, though a number of international development agencies have expressed an interest in chipping in. The ROI on solar can also take several years, which is an impediment to the risk adverse because the garment industry "is so volatile," he said. "Look what happened in Myanmar. Look what happened in Ethiopia."

It's Tropeano's hope that the upcoming five-year development strategy for the sector, due to be unveiled in a few weeks, will mention solar energy, which would mean a "crack in the government's wall." Cambodia currently imports most of its energy from Laos, which causes "dollars to flow out of the country" rather than into it. Laos also derives most of its power from hydroelectric dams that scientists say could irreversibly damage the Mekong River ecosystem. The power may be technically renewable, he said, but it's certainly not green. Neither is the forest wood that one in three GMAC-registered factories admit they use to stoke their boilers, contributing to Cambodia's high rate of deforestation. One recent study estimates that the nation's garment industry burns the equivalent of 810 to 1,418 hectares of forest every year.

With the MOU, GMAC is signaling its alignment with EuroCham Cambodia, whose recently formed garment and manufacturing sectorial committee will make renewable energy advocacy one of its core priorities, Tropeano said. Creating more high-value skilled labor through increased training initiatives is another bullet point on the agenda, as is helping Cambodia's European buyers navigate existing and impending mandatory human-rights and environmental due diligence laws in Germany, France, the Netherlands and the broader European Union. "Working together for a greener Cambodia garment sector is essential for both of us," he added.

Something EuroCham Cambodia won't be addressing, at least in the short term, however, is living wages, a contentious issue that the pandemic has made more acute amid a recent $2 pay bump that workers say is better than nothing but is still insufficient. The Industry We Want, a new multistakeholder initiative, estimates that garment workers worldwide face, on average, a 45 percent wage gap between minimum and living wages. The divide is wider in Cambodia, which has a 53 percent wage gap, meaning workers are receiving less than half of what they need to maintain a decent living for themselves and their families. Factory owners have claimed that any further pay increases will make doing business untenable because they're also being squeezed by rising costs and pressure from customers to narrow margins.

Europe, Cambodia's biggest customer, receives roughly 40 percent of the country's garment exports, which rose by 15.2 percent year over year to $11.38 billion in 2021 as the sector caught a spillover of orders from Myanmar and Vietnam, according to the department of customs and excise. Cambodia, per United Nations Comtrade data, has also bolstered its share in most of its export markets, helping alleviate the pain of EU sanctions.

Cambodia's minister of economy and finance Aun Pornmoniroth credited the bounceback to the success of the country's national vaccination campaign, which has allowed all manufacturing activity to return to pre-pandemic levels. Roughly 14.76 million people, or 92.3 percent of its 16-strong million population, have received at least one shot, the health ministry said.

"With the success, Cambodia's economy is projected to grow at a better-than-expected rate of 3 percent in 2021 from a 3.1 percent contraction in 2020, propelled by a swift rebound in [the] garment sector and [the] non-garment sector as well as agriculture," he said in February. "For 2022, the economy is predicted to grow at a higher rate of around 5.6 percent, buoyed by the expected rise of global demand and foreign investors' confidence."

There are other signs that the country is set for boom times ahead. H&M Foundation, Hong Kong Research Institute of Textiles and Apparel, GIZ and The North Face owner VF Corp. are planning to deploy a "Green Machine" plant capable of recycling cotton-polyester blends in Cambodia. On Friday, the Council for the Development of Cambodia approved a $6 million investment to help Red Mars Garment (Cambodia) Co. establish a new garment factory in Kampong Speu province that will create more than 1,600 new jobs. The Cambodian Garment Training Institute is also advertising courses to upskill workers in areas such as CAD pattern drafting, apparel merchandising and value-stream mapping.

"Cambodia and the European Union have been main trading partners," GMAC chairman Kong Sang said in a statement. "The success and exponential export growth of our industry can be attributed in large part to the preferential market access of the European Union granted under the EBA scheme. It's important to continue to maximize the economic benefit through more growth potential. The MOU…is an invaluable partnership to further strengthen the industry's competitiveness through capacity building in many areas and joint advocacy to influence relevant policies."

Tropeano said all this is just the beginning of their bilateral collaboration, which, through GIZ, could also extend to tackling financial literacy, digital wages and automation, as well as the use of more sustainable wood. Change, he said, never happens because development agencies get involved but rather where a business case can be made with money involved. “Things get solved when the private sector gets in,” he added.

Source: sourcingjournal.com– Mar 18, 2022

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China's retail sales at 7.44 tn yuan in Jan-Feb 2022

The retail sales of consumer goods in China climbed 6.7 per cent year-on-year (YOY) to 7.44 trillion yuan (about $1.17 trillion) in the first two months of 2022, according to National Bureau of Statistics (NBS). The country's retail sales growth rate was 5 per cent more when compared to December 2021.

The country's online retail sales reached 1.96 trillion yuan, an increase of 10.2 per cent YOY, Chinese media reports said quoting NBS.

Furthermore, China's retail sales in urban areas reached 6.46 trillion yuan during the two months, up 6.7 per cent YOY, while the retail sales in rural areas increased 7.1 per cent YOY.

The overall retail sales of goods increased by 6.5 per cent when compared to last year's sales to reach 6.67 trillion yuan, as per NBS.

Source: fibre2fashion.com– Mar 18, 2022

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Competitive pricing main concern for US retailers: Study

Sixty per cent of average and under-performing retailers in the United States rate competitive pricing their number-one issue. The greatest concern for top performers is that consumers are troubled by rising prices and continue to increase their focus on pricing, as per a recent study that found a wide gap in the adoption of advanced pricing technology by retailers.

Of the retailers surveyed from December 2021 to January 2022 across multiple categories including apparel and footwear segments, 10 per cent had worse than average sales (retail laggards), 35 per cent had average sales, and 55 per cent had better than average sales (retail winners), according to according to Retail Pricing 2022: Bringing Agility and Precision to the Art of Pricing, by Retail Systems Research (RSR) and DemandTec.

The report found a gap in retailers' attitude about what – and who – is driving pricing issues in the first place followed by the gap in retailers' capabilities where 64 per cent of retailers said they are pleased with their ability to establish a price strategy for regular and promotional products. That number is much lower for average and underperformers at 36 per cent. Another key finding of the report was the fear of customer reaction, where 29 per cent of retailers are fearful that any change in prices could bring about a negative reaction from customers.

The survey also found a gap in retailers' perception about artificial intelligence (AI). More than half of average and lagging retailers deem it vital, while the remainder call it a nice-to-have feature. More important, nearly all the best-performing retailers in the study said that advanced retail pricing technology is essential to drive business improvements going forward (82 per cent).

"With the lingering effects of a global pandemic, supply chain concerns, and economic uncertainty over the war in Europe, retail pricing technology has rapidly become a priority need. If your company is not fully confident in its ability to make rapid pricing decisions and changes – right now – it's time to begin serious internal conversations about how to shore those systems up," RSR partner, Brian Kilcourse, co-author of the report, said.

"In the end, retailers should know that closing the pricing readiness gap is now a critical component of overall retail strategy. It is clear that in order to win, precision pricing is a must-have, not a nice-to-have," Kilcourse added.

Source: fibre2fashion.com– Mar 18, 2022

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Are Shipping Reform Changes 'Solution in Search of a Problem'?

The U.S. Chamber of Commerce's CEO warned the Senate of making "rash changes to existing law" as Congress weighs legislation that would make good on President Biden's calls for an ocean carrier crackdown even as some question the efficacy of proposed policies in addressing freight rate inflation.

Neil Bradley, chamber executive vice president, chief policy officer and head of strategic advocacy, urged lawmakers in a letter Thursday to exercise caution as they weigh S. 3586, the Ocean Shipping Competition Reform Act of 2022 (OSCRA22).

"We urge you to consider the bill under regular order to fully study the need and effect it would have," Bradley wrote. "It is not clear what problem the legislation is attempting to solve. Under current law, ocean carriers are subject to both significant regulatory and antitrust scrutiny with respect to price and non-price competition factors."

Bradley said the letter is in response to reports that the bill could be pushed through the Senate without the typical hearings associated with the lawmaking process.

OSCRA22 expands the number of parties that can join anticompetitive lawsuits filed by the Federal Maritime Commission (FMC) against ocean liners to include shippers and ports among others. This would reverse carriers' current anti-trust legal immunity.

The bill comes as policymakers weigh other levers that would tamp down on ocean carriers.

A related bill, called the Ocean Shipping Reform Act of 2021 (OSRA21), passed the House in a vote of 364 to 60 in December.

OSRA21 stemmed from the global supply chain issues brought on during the height of the Covid-19 pandemic that caused congestion at the ports and has since seen container rates soar. The bill gives greater power of oversight to the FMC and also aims to stop the common practice of carriers bypassing U.S. exporters in favor of taking empty containers back to Asia to speed up import loading times there. The bill would also add more scrutiny to

detention and demurrage late fees, while requiring greater transparency as it relates to import and export loads for ships anchored in the U.S.

The National Retail Federation and American Apparel & Footwear Association have both been vocal in their support of OSRA21.

A Senate version of OSRA21 was introduced last month by Senators John Thune (R-S.D.) and Amy Klobuchar (D-Minn.).

President Biden called attention to the surging container rates in his State of the Union address earlier this month when he accused carriers of anticompetitive behavior.

"During the pandemic, these foreign-owned companies raised prices by as much as 1,000 percent and made record profits," the president said in his address, saying he was "announcing a crackdown on these companies overcharging American businesses and consumers."

The comments drew criticism from the World Shipping Council, which represents the carriers, and head scratching from some.

"Curious what this 'crack down' might look like," Ryan Petersen, founder and CEO of digital freight forwarder Flexport, tweeted in response. "What laws is he alleging the ocean carriers broke?"

Biden's comments ran counter to statements made by FMC chairman Daniel Maffei this month during the TPM22 Conference in Long Beach, Calif. where he said the rate increases seen by shippers correlates to the surge in demand. The FMC, which oversees carrier contracts, has also documented no evidence of illegal activity on the part of carriers.
"Too often, we find that the spirit of the law was not followed, but the letter of the law was," Maffei said at TPM.

The chamber's letter also raised concerns about the increasing scope of the Department of Justice when it comes to maritime trade.

"Adding the Department of Justice (DOJ) to co-enforce the same law as the Federal Maritime Commission is already charged with enforcing is a solution in search of a problem," Bradley wrote. "Further, authorizing third parties to bring civil actions raises obvious questions about the real intent of this legislation and whether it is really designed to support a competitive and efficient marketplace or to create more legal uncertainty."

The Department of Justice and FMC said this month the DOJ will provide attorneys and economists from its Antitrust Division to help the commission with enforcement of the law.

The additional resources follow a memorandum of understanding signed between the two last July focused on information sharing.

Source: sourcingjournal.com– Mar 18, 2022

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Levi's $5.8 Billion in Revenue Highest in 24 Years

Levi Strauss & Co. CEO Chip Bergh says the denim giant is at its strongest point "in decades" after it steered through the pandemic's worst.

The San Francisco company overcame supply chain problems, steep logistics costs and labor shortages to beat its internal recovery projections last year. It slightly outperformed 2019 revenues, reaching over $5.8 billion—a 29 percent improvement from 2020 and its highest revenue since 1998, Bergh said in the firm's annual report.

Levi's achieved record adjusted gross margins of 57.9 percent by revising its cost structure and refocusing on digital during Covid-19's early days. Adjusted EBIT margins reached $713 million, up from $181 million in 2020 and $611 million in 2019. "We accomplished this despite the impact of COVID-related store closures and soft retail traffic," Bergh wrote. "Our structural economics are stronger, the Levi's brand has grown share globally, and our strategic focus on driving DTC and continuing to diversify the business have driven our results."

With $737 million in operating cash flow generated during 2021, Levi's is continuing to invest in technology and infrastructure. It also cashed in on the activewear trend—which is five times larger than denim, and growing more quickly—by shelling out for Los Angeles activewear brand Beyond Yoga. These investments are already delivering the highest return on invested capital in 10 years, allowing Levi's to return almost $200 million to shareholders in dividends and share buybacks, Bergh said.

The denim business continues to drive the company's revenue, and Levi's remains the No. 1 men's and women's denim brand worldwide. In the U.S., the largest denim market, Levi's ranks No. 1 with men and No. 2 with women, and it is gaining wallet-share from consumers ages 18-30—the only brand among the top five to do so. Bergh believes looser silhouettes, mirroring the overall shift in apparel toward more relaxed, casual fits, to rising Gen Z and millennial interest.

Doubling down on sustainable messaging, Levi's launched an advertising campaign around the concept of "Buy Better, Wear Longer," and elevated its SecondHand offering to attract consumers interest in planet-friendlier purchasing.

Levi's digital channels generated 60 percent more revenue than 2019 on stronger e-commerce investments and an uptick in online shopping. In 2021, online sales accounted for 22 percent of total company revenues, compared with 14 percent before Covid. Bergh expects e-commerce to continue as high-growth, profitable part of the business. "We continue to invest in our e-commerce experience and creating highly personalized recommendations for online shoppers," he added. "Our loyalty program and mobile app are seeing strong acquisition rates, meaningful growth in performance and productivity of existing members."

Levi's shoppers embraced omnichannel services merging digital touchpoints with store-based interactions. The company last year opened 92 smaller format stores with services like mobile checkout and curbside pickup. Owning the consumer's experience from start to finish deepens the connection with the brand while padding margins, Bergh said.

Earlier this year Levi's transformed its Henderson, Nev. distribution center to fulfill orders from retail, wholesale and e-commerce. The facility aims to reduce lead times, costs and reliance on third-party logistics providers. Similar Levi's owned-and-operated facilities are now being built in on the East Coast and in Europe.

Digital also informs business operation as Levi's is using data to drive decisions, gauge consumer appetites and quickly respond to market trends. A company bootcamp that teaches AI and machine learning has already upskilled more than 100 employees in data science and coding.

"We're accelerating our momentum by diversifying across categories, channels and geographies," Bergh wrote, noting opportunities to grow internationally and beyond denim. "We will continue to invest in our stores and online platforms to expand our footprint and create exceptional and memorable connections."

Source: sourcingjournal.com – Mar 17, 2022

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NATIONAL NEWS

India's merchandise export has reached almost USD 390 billion and will certainly cross USD 400 billion during the current fiscal- Shri Piyush Goyal

Union Minister of Commerce and Industry, Consumer Affairs, Food & Public Distribution and Textiles, Shri Piyush Goyal said that India's merchandise exports have reached almost USD 390 billion as of March 14th and will certainly cross USD 400 billion in the current fiscal.

He was addressing the Atmanirbhar Excellence Awards and 7th Technology Summit 2022, organized by the Automotive Component Manufacturers Association (ACMA) in New Delhi. He added that India's auto components industry had, for the first time, recorded a trade surplus of USD 600 million.

It may be noted that India's Automotive Industry is worth more that USD 100 billion and contributes 8% of country's total export and accounts for 2.3% of India's GDP and is set to become the 3rd largest in the world by 2025.

The Minister appreciated the resilient auto industry players who adapted and evolved to keep the industry going despite the five Cs, - challenges of COVID-19, container shortages, chip shortages, commodity prices and conflict.

Shri Goyal said the government was sensitive to auto sector's concerns related to chips shortage. The recently approved Semicon India Programme with a budget of 76,000 Crores would help reduce import dependence and eventually help us become Atmanirbhar in the arena of chips, he said. He added that the nimble Government and agile Industry working together collectively could capture markets across the world.

Highlighting India's capabilities in the field of auto components manufacturing, the Minister asked automakers to make greater use of Indian made components. Stating that the Government held back stringent norms regarding import substitution due to Covid-19 and industry assurances on securing equal market access, the Minister urged automakers to buy local and substitute imports.

Congratulating the automotive for managing tech transitions smoothly, he pointed out that India could no longer afford to be closed and protective but will have to open up our markets along with striving to achieve greater penetration of global markets.

Spelling out the opportunities for the future of mobility, Shri Goyal said that mobility of tomorrow would be dependent on the 7 Cs, - Common, Connected, Convenient, Congestion-free, Charged, Clean and Cutting edge.

Shri Goyal gave a 4-point call for action to the auto components industry for to be future ready. He asked them to invest more in R&D, especially e-mobility, especially and battery tech. He urged them to disrupt existing targets, set higher benchmarks for performance and aspire to take 5 Indian companies in top 50 global automotive suppliers club. He encouraged them to identify core competencies and isolate key areas to reduce import reliance. He also called for designing world-class quality standards in the automotive sector.

Quoting the Prime Minister Shri Narendra Modi, Shri Goyal said that mobility is the next frontier in our fight against climate change. He asserted India was poised at the cusp of an e-mobility revolution that in the next 15 years and mobility landscape is expected to undergo a deep structural change. He asked auto-makers to look upon sustainability as an opportunity and not a challenge.

He asked the automotive industry to work on improving the e-mobility ecosystem, including fuel cell vehicles with Hydrogen storage, higher Lithium-Ion battery capacity at low price and better charging infrastructure. He cautioned automakers that the cost of not investing in innovation and evolving to meet the needs of the future would be obsolescence.

Referring to the budgetary push to the EV industry, the Minister said that India has the potential to become a hub for EVs and Integrated Circuits (IC) technology. Expressing concern that lower volume of production would prohibit scale of production thus affecting business viability, he called for the promotion of scale of production in e-mobility.

Stating that the Prime Minister Shri Narendra Modi has set the targets for Amrit Kaal, - the next 25 years, Shri Goyal said we cannot afford to rest on the laurels of the last 75 years as we celebrate the ‘Azadi Ka Amrit Mahotsav’ this year.

He added that the greater challenge before us, the greater responsibility that each one of us has on our shoulders is that in the next 25 years, the 'Amrit Kaal', as the Prime Minister has called it, is to make India a prosperous nation, a developed nation, a nation where every single citizen, especially the marginalized, is a stakeholder in the country's progress and development.

Shri Piyush Goyal also presented Dr. Pawan K Goenka, Chairman, Steering Committee for Advancing Local Value-Add & Exports (SCALE), Chairman Designate -In Space, Dept of Space, Government of India and Former MD & CEO, Mahindra & Mahindra with the ACMA lifetime achievement Award and applauded his tremendous contribution to the Indian automotive industry. He also appreciated ACMA and congratulated all the winners of the Atmanirbhar Awards.

Source: pib.gov.in – Mar 17, 2022

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Downstream value chain to get tech boost: New Rs 16,635-crore scheme to spur textile capex

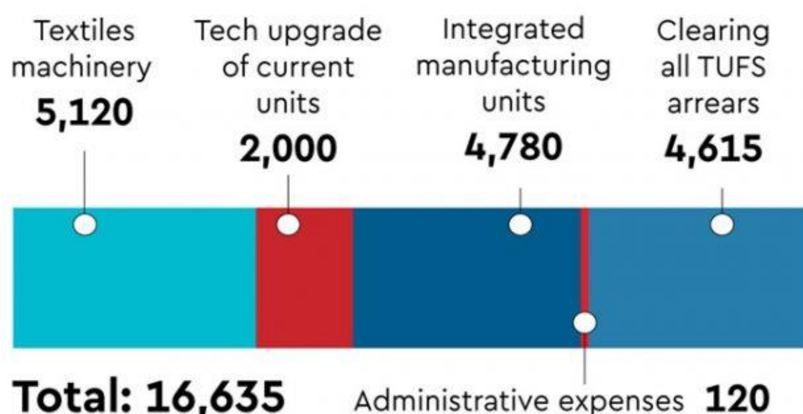
The draft scheme has two main parts. The first one aims to promote textile machinery manufacturing in India and substitute imports. It proposes to extend incentives of Rs 5,120 crore over the next five years.

The government is firming up a Rs 16,635-crore programme that will not just replace its decades-old flagship incentive scheme for capital investments in textiles and garments but also promote integrated manufacturing facilities and technology adoption in a big way to enable India to regain its lost share in the global market.

The Textiles Technology Development Scheme (TTDS), a draft of which is reviewed by FE, will substitute the Technology Upgradation Fund Scheme (TUFS) that is valid until March 31, 2022. However, beneficiaries of a Rs 10,683-crore production-linked incentive (PLI) scheme for textiles won't be able to tap the new scheme.

The government aims to draw large-scale investments of about Rs 1.1 trillion through the scheme over five years through March 2027.

The draft scheme has two main parts. The first one aims to promote textile machinery manufacturing in India and substitute imports. It proposes to extend incentives of Rs 5,120 crore over the next five years.



The second part of the scheme proposes incentives of Rs 4,780 crore for investors willing to set up integrated modern manufacturing facilities. It will also incentivise technology upgrade in existing clusters and micro, small and medium enterprises (MSMEs) at an additional estimated cost of Rs 2,000 crore over five years.

Through various forms of TUFS that have prevailed over the last two decades, investments in the textiles-and-clothing value chain have been given a boost, but the benefits largely went to the capital-intensive spinning sector, leaving the large capacity gaps in weaving and processing technologies unbridged. Economies of scale and integration continue to lack in the later stages of the textile value chain.

Interestingly, the new scheme also proposes to settle all pending subsidy claims of eligible beneficiaries of earlier versions of the TUFS, such as Modified TUFS, Restructured TUFS and Revised Restructured TUFS. It proposes to set aside Rs 2,479 crore for this.

Similarly, it wants all the claims under the current version of the TUFS — Amended TUFS — that was adopted four years ago. It will cost the exchequer `2,136 crore. These proposals will improve the cash flow of pandemic-hit firms and enable them to spur manufacturing as well as exports.

Senior industry executives that FE spoke to said the new scheme seeks to serve essentially three purposes: Address certain critical structural bottlenecks, improve the competitiveness of domestic units and nudge them to scale up operations, and reclaim lost market share globally.

The textile ministry also wants to align its policy intervention through this programme to complement two other critical programmes announced for the sector – the PLI scheme and mega parks, they added.

The share of the textiles and garment sector in the country's overall merchandise exports was shrinking even before the pandemic struck. It had dropped to just 10.8% in FY20, the lowest in around a decade, from 13.7% in FY16. Globally, while China remains the most dominant player by a wide margin in both textiles and garments, India has been beaten by both Bangladesh and Vietnam in recent years in apparel exports.

The new scheme proposes to reimburse 30% of capital investment on textiles machinery and equipment. Similarly, the firms that want to set up new integrated units will be offered support to the tune of 25% of capital investment in plants and equipment.

Exiting MSME units, too, will get up to 25% capital subsidy. The incentives, however, are subjected to caps that will be linked to investments.

Under the extant scheme (ATUFS), garments and technical textiles firms are provided a 15% subsidy on capital investments, subject to a ceiling of `30 crore for each investor. Remaining segments, such as weaving, processing, jute, silk and handlooms, get 10%, with a cap of Rs 20 crore.

A top executive of a large garment exporting firm, said: “The draft scheme looks promising and it will help the fragmented textiles and garments sector provided the ministry sticks to it.”

Raja M Shanmugham, president of the Tirupur Exporters’ Association, hailed key proposals of the new scheme, especially on the plan to extend only capital subsidy, instead of interest subventions or a mix of both capital and interest support.

Shanmugham, however, stressed the garment industry will seek more clarity on the proposed support to MSMEs under the scheme. “Without adequate help to MSMEs, the textiles and garment sector – dominated by such units — won’t flourish,” he added. Tirupur is the country’s largest garment cluster.

Source: financialexpress.com – Mar 19, 2022

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GST rates overhaul may be delayed by a few months

"The suggestions the group of ministers (GoM) on rate rationalisation will be vetted by the GST Council. The changes in GST slabs will be done in phases keeping in mind inflationary pressures," a senior official told FE, acknowledging the difficulties to raise tax rates at this juncture.

A much-awaited restructuring of the goods & services tax (GST) slabs to raise the revenue-neutral rate (RNR), from a little over 11% now to 15.5%, could be delayed by a few months, as high global commodity prices have resulted in a rise in inflationary expectations among households and firms and brought the Reserve Bank of India's (RBI) accommodative policy stance under critical review.

A delay in the GST slabs recast could have serious implications for state governments' revenues, since a five-year compensation mechanism for their GST revenue shortfall is set to end on June 30.

It could also become more difficult for the Centre to resist states' demand for an extension of the compensation in order to avoid a revenue shock to states. States' spending, especially revenue expenditure, surged in the last couple of years in the wake of the pandemic, even amid severe revenue constraints.

"The suggestions the group of ministers (GoM) on rate rationalisation will be vetted by the GST Council. The changes in GST slabs will be done in phases keeping in mind inflationary pressures," a senior official told FE, acknowledging the difficulties to raise tax rates at this juncture. In the meantime, officials are banking on the continuation of the buoyancy in GST collections and anti-evasion measures to narrow the likely shortfalls in GST receipts.

The government is also conscious of the fact that raising the indirect tax rates across a wide range of products now could dampen consumption and hit economic growth in the short term.

Under the GST compensation mechanism, which is constitutionally guaranteed, state governments are assured 14% annual revenue growth for the first five years after the tax's July 2017 launch.

The group of ministers (GoM) led by Karnataka chief minister Basavaraj Bommai could not conclude discussions on how the GST rates could be revised, leading to a delay in the submission of the report. The panel was constituted in September 2021.

Given that stakeholder consultations on the GoM report will also take time and that some key state elections such as Gujarat and Himachal Pradesh are due in 2022, a comprehensive GST rate rejig could be deferred on for a longer period.

While the council made some attempts to correct inverted duty structures across several value chains, the decision to roll back a uniform GST rate for textiles proved that it won't be an easy option.

The council had to drop a plan to hike the GST rates for most textile products in the man-made fibre value chain from 5% to 12% in late December 2021, amid protests from the industry from Gujarat and other states. It may revisit the issue soon.

With the hardening of commodity prices after the Ukraine-Russia conflict, India's wholesale price inflation (WPI) reversed it trajectory in February 2022 and increased to 13.11%, after coming in at 12.96% in January. Retail inflation (CPI) in February also rose marginally to 6.07% from 6.01% in the previous month, hovering over the upper bound of the RBI's inflation target range of 2%-6%.

"It is essential to carefully consider all aspects including the possibility of inflation, before concluding on the rate rationalisation exercise. It is also necessary to ascertain views of key industry stakeholders," said MS Mani, partner, Deloitte India.

It was envisaged that GST would produce significant incremental economic growth and improve revenue productivity. But revenues from this comprehensive destination-based consumption tax have consistently been below the government's expectations, partly due to the pandemic. Revenues improved in recent months due to a crackdown on evasion and formalisation of the economy.

Officials are hopeful that the average monthly GST collections would improve to about Rs 1.35 lakh crore from Rs 1.23 lakh crore in FY22, thereby generating about Rs 90,000 crore in additional state GST collections in the next financial year.

There have been discussions on merger of 5% and 12% GST rate categories into a single rate of 7% or 8%, another official said. However, raising GST rates at this juncture may not be easy for commodities such as food products that attract a 5% rate.

An analyst pointed out that if the GST Council has to replace the existing structure of four rates — 5%,12%, 18% and 28% — with a three-slabs system, then the peak rate of 28% is unlikely to be touched because it covers a few luxury items. The other option is to get 5% and 12% rates merged to 7%-8% or merge the slabs of 12% and 18% to 15-16%. Again, 18% may not be changed as it is giving 70% of GST revenues. It is also possible that some items may be moved to the 18% slab from 5% or 12% now. Also, a few items in the 5% category might be exempt.

While the GST compensation mechanism is to end on June 30 this year, several states have demanded that the facility be extended, finance minister Nirmala Sitharaman told Parliament earlier this week. The Centre has however reiterated that the statutory requirement was to compensate the states for GST shortfall only for the initial five years after the GST's launch. Also, it pointed out that just for servicing the loan taken to compensate the states for 2020-21 and 2021-22, the cesses will need to be in place till the end of FY26.

Following a GST Council decision, the Centre released Rs 1.1 lakh crore for 2020-21 and Rs 1.59 lakh crore for 2021-22 as back-to-back loans to make good the shortfall. The Centre has mobilised the funds through borrowings under a special window provided by the RBI.

Source: financialexpress.com – Mar 18, 2022

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The contours of an interim trade agreement

International commercial relations are set to get re-oriented post the pandemic. Opportunities for a quality producing market with reliable supply chains are abound, and it is here that India scores with its cost-effective production, accelerating growth and huge skilled workforce.

No wonder our exports are increasing and we are very much on track to hit $400 billion in this financial year. The government, on its part, has been smoothening trade processes for quite some time now and is engaged in talks towards forward looking trade agreements.

With export facilitation and deeper market access as aim, we have just concluded a comprehensive trade agreement with the UAE (in record time) and are in line for a trade pact with Australia (UK, EU, and recently announced Canada FTAs to follow). Further, as per the news reports, a trade pact with Australia could be as early as this month and is likely to be in the form of an interim/early harvest trade agreement.

These moves will enhance exports and trade diversification. But the moot question is what is an interim or early harvest trade agreement? And how is it beneficial? To understand this, let us first see the parent provision under which any FTA is negotiated globally — Article XXIV of the General Agreement on Tariffs & Trade (GATT).

An exception provided within the WTO law, this article allows WTO members to deepen trade ties bilaterally or among a group of members, on preferential basis. The resultant preferential agreements are known through different nomenclatures viz. Free Trade Agreements (FTAs), Regional Trade Agreements (RTAs), Preferential Trade Agreements (PTAs), etc.

In general, these trade agreements liberalise tariff/market access for trade in goods or in some cases also in services. Such agreements for the past decade or so, however, have extended their facilitation mandate by including alternate tracks beyond goods and services, such as investment (India-Japan CEPA is an example).

In spite of whatever they are called, all such full-fledged agreements under Article XXIV are required to be notified to the WTO and should cover “substantially all the trade” in products originating in the territories of the contracting parties.

Here in lies a catch. While such trade agreements cover substantial liberalisation (what is 'substantial' remains undefined), they may take considerable time, especially if the negotiating parties are competing in or are sensitive towards certain "must-haves" of each other.

This gets exacerbated by the fact that today's agreements go beyond existing national commitments in the WTO and cover many areas that are hitherto uncovered in multilateral trade rules — investment, intellectual property rights, competition, e-commerce, to name a few.

The resulting deep and comprehensive market integration necessarily requires prolonged negotiations and are time consuming (most modern FTAs have more than a dozen different tracks). Thus, many WTO member countries are not able to make benefits available to their industry and consumer on an immediate basis despite best intentions.

Alternative approaches

The drafters of GATT however provided an alternative way of approaching such trade negotiations. Though largely unused, this approach enables early harvesting of the agreed provisions in the form of an interim agreement, while the negotiations continue for a comprehensive trade pact (para 5 of Article XXIV).

The said provision thus provides a tool to the negotiating countries to lower tariffs on some goods and take other steps in anticipation of a full FTA. As a result, such an agreement can be quickly negotiated and most importantly, harvested, for the benefit of the trade.

As an example, consider two WTO members 'A' — a developed country and 'B' — a developing country. While both intend to deepen their bilateral trade, substantial liberalisation requirement on both sides leads to a negotiating period of say three years between them.

Thus, despite best of intentions the traders on either side must wait out this period for actual gains to be realised. In comparison, 'A' and 'B' can amplify their gains if they agree on an interim agreement on the easily agreeable product lines and supporting tracks, in say six months, while committing themselves for a comprehensive trade agreement in next couple of years.

Needless to say, in such a scenario, as in the example above, businesses from both the sides will have additional benefits commensurate to the time an interim agreement gets translated into a full-fledged FTA, leading to a win-win situation for bilateral trade.

The benefits

What are the benefits of concluding and notifying an interim agreement? As detailed above, the first and foremost benefit is the early harvesting of low hanging fruits while negotiations on sensitive products goes on. Second, large product coverage in shorter time is also an advantage, especially if negotiating countries do not compete on most of the product lines (for e.g., a developing and a developed WTO member).

Third, considering the wider policy impact of alternate tracks on the domestic polity, such an approach would provide more time and nuanced appreciation of each other's policy concerns in other than goods and services tracks.

Fourth, early delivery of an interim agreement will act as a building block and a confidence-building measure towards further tricky negotiations. Lastly, a push for an interim agreement clearly conveys India's intent for fast paced negotiations thereby resulting in an environment for early progress agreements, like the one with UAE!

The structure of such agreements, as to what to cover first and what to earmark for a full-fledged FTA, would however depend on the negotiating parties and may differ from case to case.

Nonetheless, whatever stance is adopted for mutual gains in goods and other sectors, the interim agreement approach translates to fast-forwarded trade agreements within the framework of global trade rules.

As a result, facilitation for our manufacturers and exporters, producing to satisfy growing global demand, is guaranteed, even in cases where negotiations are likely to be prolonged.

Source: thehindubusinessline.com – Mar 18, 2022

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How SMEs can leverage Credit Guarantee Schemes

Lack of collateral has hindered MSMEs from accessing formal credit. An effective incentive system where the lenders and borrowers are not pitted against each other is needed

Kamalamma has been in the business of manufacturing uniform accessories for Karnataka Police for over two decades. Her model is profitable, and she can scale up her staff from six to 20, if she gets additional working capital. Despite her best attempts, she couldn't get bank funding because she didn't have any collateral. A loan from NBFCs is not an option due to the high interest rates.

Such stories abound of deserving small and medium enterprises (SMEs) whose growth and ability to generate employment are impaired for want of credit. While MSMEs are critical for employment generation, the credit flow into the segment remains abysmally low. An estimated 15 per cent of MSME debt demand is funded by the formal financial sector and only 32 per cent of MSMEs are served by financial institutions.

Credit Guarantee Schemes (CGSs) offer government intervention to unlock finance for SMEs. A CGS provides third-party credit risk mitigation to lenders through the absorption of a portion of the lender's losses on the loans made to an enterprise in case of default, typically in return for a fee.

In 2000, the government put in place the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), promoted by the Ministry of MSMEs and SIDBI. Till March 2021, CGTMSE cumulatively accorded guarantee approvals for ₹2.6 lakh crore to a total of nearly 66 lakh accounts, under guarantee schemes, which indeed is significant.

But despite this achievement the reach is poor, driven by factors such as poor unit economics for bigger lenders, low levels of formalisation of enterprises, a high level of information asymmetry between enterprises and lenders, and an incentive system that favours risk aversion of the lending officers. Though CGS itself may not be a panacea, it could be leveraged more effectively to speed up the credit flow to unserved segments.

The Budget has indicated that the CGTMSE, set up to catalyse the flow of institutional credit to SMEs, will be revamped with necessary funds. While this is a welcome move, more funds alone may not be the solution.

This fund could benefit from the following factors:

(i) a sharper focus on learning the credit profiles to create lending solutions with agility, and aim to amplify successful solutions in the ecosystem;

(ii) A comprehensive measurement tool to assess the strength and weakness of the key links of the value chain;

(iii) Deeper engagement from private sector and MSMEs in the program for learning and quicker adoption of successful outcomes.

Correspondingly, the following considerations may be pertinent:

'A Test and Learn' Framework with focus on 'New to Credit' SMEs: Given the general apprehension that SME loans are risky, bankers seek collaterals. Several Fintechs /NBFCs have solutions that provide for other viable models. Based on their success they can be scaled.

3-5 per cent of the overall trust fund can be set aside for a ''test and learn' initiative, wherein a set of 'sand boxes' can be designed with promising partners to expand lending.

A mechanism may be framed to allow people/consortia to come forward with specific proposals to avail this. Unlike the rest of the fund, this pool may have expanded risk appetite to test new-age solutions. The mechanism could be operationalised through a set of Member Lending Institutions (MLIs) and branches across the country to cover a statistically significant population to measure the impact.

It is imperative for this framework to have a robust assessment and measurement tool and a mechanism to share the key learnings from these 'sand boxes' with the broader ecosystem. This could enable wider participation from the private sector.

Comprehensive Tracking and Measurement Mechanism: Currently, the prerogative of extension of credit guarantee to a MSME borrower remains with the branch functionaries and lacks transparency for oversight/review by the MLI's higher authorities. Also, there is no mechanism to assess the demand for credit guarantee in the sector. CGTMSE could evolve a suitable tracking system to help MLIs review cases that are denied CGMSTE cover by its branches and also capture the data regarding the need for CGTMSE-backed assistance in the sector.

Such an initiative, will sharpen the understanding of the prospects and geographies, and enable focus on the weak links in the lending process for targeted interventions.

Deeper Engagement with the Broader Ecosystem: For SME lending to open up at a faster pace, early and deeper engagement with a broader set of stakeholders would help. Whilst the above two recommendations would be helpful regarding borrower insights and newer lending solutions, it would be prudent to involve private sector lenders and borrower representation in the governance and advisory of the programme. This would also enable early adoption of solutions and help them scale.

These three measures can go a long way in discovering a battery of solutions that can scale, debottleneck the clogs that stymie the credit flow, and help figure a more effective incentive system that could be a win-win, rather than pitting the lender and the borrower against each other.

Source: thehindubusinessline.com– Mar 17, 2022

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How accelerators shaping up Indian startups

25 per cent of 6.5 lakh jobs created by startups mentored at accelerators
Startup accelerators have arrived in India. That the top five start-ups nurtured at accelerators raised an aggregate of $10 billion shows how important their role is in the startup ecosystem.

A quarter of this was raised by them in 2021 alone.

The cumulative valuation of Top-5 startups from accelerators in segments such as fintech, hospitality, B2B retail and social commerce is put at $26.1 billion.

Here's another data point that underscores their role – about 25 per cent of all the 6.5 lakh jobs created by DPIIT-recognised startups were generated by the startups nurtured by accelerators.

About 8 per cent of the 91 unicorns that India created so far were part of accelerators at some point of their journey.

The number of startups funded by accelerators has gone up significantly in the last 16 years. While 3-4 start-ups funded per accelerator per year in 2005, the number jumped to 20-25 a year in 2020.

Funding and talent building

The report -- Start-up Accelerators: Engines of Economic Growth – showed how tech startup accelerators have come of the age and begin to play a vital role in shaping up startups.
Primus Partners, accelerator 9Unicorns, Startup Odisha and iStart Rajasthan, which prepared the report, conducted as survey to understand the role played by accelerator. About 250 startups took part in the survey.

About 80 per cent of the seed and early-stage start-ups in the survey picked 'funding' as their most. About 55 per cent of the survey respondents sought a slot in Y Combinator or TechStars, indicating that early-stage startups are keen to access the support provided by global accelerators.

The mentorship too is a key attraction for startups that want to join an accelerator.

"The year 2012 saw the beginning of the early wave of accelerators in India, and Venture Nursery (VN) was among the very first, attaining a 250x exit with OYO - validating the accelerator model for India," Apoorva Ranjan Sharma, Co-founder and Managing Director at 9Unicorns, said.

"The focus of these accelerators is providing support to start-ups, from funding to talent building – we now see a lot of success stories coming out of accelerators in the country," he said.

"All survey respondents deemed availability of networking opportunities as another key benefit provided by accelerators," Sharma said.

About 90 unicorns (startups with a valuation of over $1 billion) and more than 200 soonicorns (which have potential to become unicorns soon) have generated more than 5 lakh jobs.

"Interaction between private and public stakeholders is central to the start-up landscape in India. State level support has vastly

improved the ease of doing business. Going forward, we expect the government to play a larger role in the acceleration of the start-ups at growth stage," Shravan Shetty Managing Director of Primus Partners.

How they grew

As the startup ecosystem is getting strong in the country, the number of accelerators is growing exponentially in the last five years. From about 585 in 2017, the number of accelerator programmes went up to 900 in 2021. This is expected to go to 981 by 2025, growing at a compounded annual growth rate of 9 per cent.

Source: thehindubusinessline.com– Mar 17, 2022

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Exporters in Coimbatore welcome budget announcements

Exporters here have said the thrust on developing infrastructure to boost exports from the State is a welcome measure.

A. Sakthivel, president of Federation of Indian Export Organisations (FIEO), said various welfare measures announced in the State Budget were futuristic in vision. It aimed at achieving $ 100 billion exports from the State by 2030.

The Budget would help create job opportunities by attracting new investments and encouraging existing entrepreneurs. A sperate policy to strengthen leather and footwear industry in the State would boost exports and lead to more job creation in that sector. By focusing on transit-oriented development (TOD) in certain corridors, the State was aiming world class infrastructure, he said.

President of Tiruppur Exporters Association, Raja M Shanmugham, said the inclusive and growth-oriented budget had an allocation of ₹100 crore for creating infrastructure for export cluster, including Tiruppur. It was a major requirement to enhance the export growth potential of the units in the State.

Launching of Mobile Information and Help Centres for migrant workers in Tiruppur would help gather details of the workers. Implementation of a special programme for skill development of youth to fulfill the requirement of industries would enhance productivity and quality at the industries.

Source: thehindu.com– Mar 18, 2022

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